



Actuarial Office

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December 16, 2008

AGENDA ITEM 8

**TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION
COMMITTEE**

- I. SUBJECT:** EFI's Parallel Valuation and Certification of the
Judges' Retirement System II (JRSII) as of June 30,
2007
- II. PROGRAM:** Actuarial Office
- III. RECOMMENDATION:**

It is recommended that the Committee accept and recommend to the full Board the acceptance of EFI's report on the June 30, 2007 parallel valuation and certification of the actuarial valuation of the Judges' Retirement System II in completion of Task 6 of Contract 2003-3236. A copy of the report is included in Attachment 1.

IV. ANALYSIS:

EFI has recently completed a parallel actuarial valuation of Judges' Retirement System II as of June 30, 2007, and has certified that the liabilities and costs computed in the June 30, 2007 JRS II valuation are reasonable and were computed in accordance with generally accepted actuarial principles. EFI's independent parallel valuation of JRS II produced the employer cost as a percentage of covered payroll very close to that computed by CalPERS' actuaries.

One minor issue pointed out by EFI is that the amortization of the unfunded liability is computed as a percentage of payroll assuming that payroll will increase as new judges enter the system and that this is not in accordance with GASB 27 requirements. EFI further notes that this is not currently material. CalPERS staff concurs and would note that the rate computed in accordance with this GASB 27 requirement would be about 0.24% of payroll larger in the June 30, 2007 valuation (so immaterial).

However, EFI is concerned that, at some point in the future, the use of a payroll growth assumption in computing the amortization payment may need to be

Members of the Benefits and Program Administration Committee
December 16, 2008

modified in order to ensure continued compliance with accounting standards. Staff agrees that a change may be appropriate in the future and will monitor the situation carefully to ensure that a change is made if necessary.

V. STRATEGIC PLAN:

This item is not a specific product of the Strategic or Annual Plans but is part of the regular and ongoing workload of the Actuarial Office.

VI. RESULTS/COSTS:

There are no costs associated with this item other than the payment of EFI's fee under contract 2003-3236.

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Actuarial Office

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